

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
JUNE 30, 2010 AND 2009**

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

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**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**OFFICIALS
JUNE 30, 2010**

Name	Position	Term Expires	Insurance Coverage
Richard Kohler	Chairman	12/31/14	10,000
Phil Cannon	Trustee	12/31/16	10,000
Lynne Don Carlos	Trustee	12/31/12	10,000
 Duane Armstead	 General Manager		 10,000
 Rebecca Haase	 City Clerk/Treasurer		 40,000

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INDEPENDENT AUDITORS' REPORT

Greenfield Municipal Utilities
Water System
Greenfield, Iowa

We have audited the accompanying statements of net assets of the Water System, a department of Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of June 30, 2010 and 2009, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water System, a department of Greenfield Municipal Utilities, as of June 30, 2010 and 2009, and the results of its operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2010, on our consideration of the Water System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for Schedule 2 which is marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenfield Municipal Utilities has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

October 25, 2010

By



Certified Public Accountant

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009**

ASSETS	2010	2009	Increase (Decrease)
CURRENT ASSETS:			
Cash and Equivalents	\$ 50	\$ 50	\$ -
Investment in Certificates of Deposit	23,000	23,000	-
Accounts Receivable - Customers	52,382	48,849	3,533
Inventories - Materials and Supplies	42,099	38,494	3,605
Accrued Interest Receivable	20	26	(6)
Prepaid Expenses	18,212	18,155	57
Total Current Assets	135,763	128,574	7,189
PROPERTY AND EQUIPMENT:			
Production and Treatment Plant	1,533,510	1,594,502	(60,992)
Transmission System	441,210	441,210	-
Distribution System	2,865,175	2,865,175	-
Vehicles, Tools and Equipment	189,389	204,355	(14,966)
Total Cost	5,029,284	5,105,242	(75,958)
Accumulated Depreciation	(2,913,899)	(2,875,402)	(38,497)
Cost Less Depreciation	2,115,385	2,229,840	(114,455)
Construction In Progress	367,077	-	367,077
Total Property and Equipment, Net	2,482,462	2,229,840	252,622
	<u>\$ 2,618,225</u>	<u>\$ 2,358,414</u>	<u>\$ 259,811</u>

(Continued)

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009**

LIABILITIES	2010	2009	Increase (Decrease)
CURRENT LIABILITIES:			
Deficit in Cash and Equivalents	\$ 32,442	\$ 14,124	\$ 18,318
Accounts Payable - Vendors	19,406	15,714	3,692
Due to City	13,400	13,400	-
Sales and Use Tax Payable	2,161	2,115	46
Accrued Liabilities -			
Salaries and Wages	10,747	2,254	8,493
Compensated Absences	42,450	39,242	3,208
Interest	870	22,041	(21,171)
Current Portion of Promissory Note Payable	56,870	20,000	36,870
Total Current Liabilities	178,346	128,890	49,456
NONCURRENT LIABILITIES:			
Payable to the City of Greenfield	318,223	369,409	(51,186)
Promissory Note Payable	60,000	80,000	(20,000)
Total Noncurrent Liabilities	378,223	449,409	(71,186)
NET ASSETS: (2009 Restated)			
Invested in Capital Assets, Net of Related Debt	2,047,369	1,760,429	286,940
Unrestricted	14,287	19,686	(5,399)
Total Net Assets	2,061,656	1,780,115	281,541
	<u>\$ 2,618,225</u>	<u>\$ 2,358,414</u>	<u>\$ 259,811</u>

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010		2009		Increase (Decrease)
	Amount	Percent	Amount	Percent	
OPERATING REVENUE:					
Residential Sales	\$ 262,920	50.1	\$ 251,147	50.0	\$ 11,773
Commercial Sales	74,788	14.2	75,152	14.9	(364)
Industrial Sales	30,636	5.8	29,079	5.8	1,557
Sales to SIRWA	103,598	19.7	92,175	18.3	11,423
Sales to Fontenelle	34,291	6.5	35,076	7.0	(785)
Sales to City	7,835	1.5	8,635	1.7	(800)
Plant Hydrant Water Sales	346	0.1	309	0.1	37
Forfeited Discounts and Other	10,980	2.1	11,233	2.2	(253)
Total Operating Revenue	525,394	100.0	502,806	100.0	22,588
OPERATING EXPENSES:					
Plant Operations	176,359	33.7	157,200	31.3	19,159
Plant Maintenance	33,096	6.3	59,696	11.9	(26,600)
Distribution Operations	121,095	23.0	99,470	19.8	21,625
Distribution Maintenance	59,573	11.3	51,104	10.2	8,469
Accounting and Collecting	70,953	13.5	59,594	11.9	11,359
Administrative Expenses	101,493	19.3	93,720	18.6	7,773
Refunds and Rebates	750	0.1	1,000	0.2	(250)
Depreciation (2009 Restated)	126,656	24.1	137,671	27.4	(11,015)
Total Operating Expenses	689,975	131.3	659,455	131.3	30,520
Operating Earnings (Loss)	(164,581)	(31.3)	(156,649)	(31.3)	(7,932)
NONOPERATING REVENUE (EXPENSE):					
Contributions-in-Aid of Construction	367,077	69.9	-	-	367,077
Interest Income	515	0.1	2,140	0.4	(1,625)
Disposal of Scrapped Assets	(11,812)	(2.2)	(5,874)	(1.2)	(5,938)
Interest Expense (2009 Restated)	(11,469)	(2.2)	(11,180)	(2.2)	(289)
Miscellaneous Income	4,811	0.9	563	0.1	4,248
Total Nonoperating Revenue	349,122	66.5	(14,351)	(2.9)	363,473
Income (Loss) Before Transfers	184,541	35.2	(171,000)	(34.2)	355,541
TRANSFERS IN (OUT):					
Payment to City	(3,000)		-		(3,000)
From Electric System	100,000		-		100,000
Change in Net Assets	281,541		(171,000)		452,541
Total Net Assets, Beginning (as restated)	1,780,115		1,971,211		(191,096)
Prior Period Adjustment (Note 13)	-		(20,096)		20,096
Total Net Assets, Ending	<u>\$ 2,061,656</u>		<u>\$ 1,780,115</u>		<u>\$ 281,541</u>

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 514,488	\$ 497,413
Payments to Suppliers	(232,162)	(237,865)
Payments to Employees, Wages and Benefits	(301,066)	(272,707)
Other Receipts	<u>12,187</u>	<u>563</u>
Net Cash from Operating Activities	(6,553)	(12,596)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from Electric	100,000	-
Payment to City	<u>(3,000)</u>	<u>-</u>
Net Cash from Noncapital Financing Activities	97,000	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Payments on Promissory Note	(34,316)	(20,000)
Interest Paid on Notes and Loans	(32,640)	-
Loss on Disposal of Scrapped Assets	-	(5,874)
Contribution-in-Aid of Construction	367,077	-
Purchase or Construction of Capital Assets	<u>(391,089)</u>	<u>(11,662)</u>
Net Cash from Capital and Related Financing Activities	(90,968)	(37,536)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	<u>521</u>	<u>2,158</u>
Net Cash from Investing Activities	<u>521</u>	<u>2,158</u>
Net Change in Cash and Equivalents	-	(47,974)
Cash and Equivalents, Beginning of Year	50	48,024
Cash and Equivalents, End of Year	<u>\$ 50</u>	<u>\$ 50</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Earnings (Loss)	\$ (164,581)	\$ (156,649)
Adjustments to Reconcile Operating Earnings (Loss) to Net Cash from Operating Activities -		
Depreciation Non-cash Expense	126,656	137,671
Miscellaneous Revenue Received	4,811	563
Loss on Sale of Assets	-	5,874
Change in Operating Assets and Liabilities -		
Accounts Receivable (Increase) Decrease	(3,533)	(5,393)
Inventories (Increase) Decrease	(3,605)	3,027
Prepaid Expenses (Increase) Decrease	(57)	(707)
Deficit in Cash and Equivalents Increase (Decrease)	18,317	14,124
Accounts Payable Increase (Decrease)	3,692	(4,326)
Sales Tax Payable Increase (Decrease)	46	204
Other Accrued Liabilities Increase (Decrease)	<u>11,701</u>	<u>(6,984)</u>
Total Adjustments	158,028	144,053
Net Cash from Operating Activities	<u>\$ (6,553)</u>	<u>\$ (12,596)</u>

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *General* -

The City of Greenfield owns an electric light and power system (electric), waterworks (water) and sewage treatment system. Many years ago, voters approved Greenfield Municipal Utilities (GMU) be organized to operate and manage only the electric and water systems. GMU is governed by a three-member board of trustees appointed by the City Council. The Board of Trustees exercises all oversight responsibility.

Greenfield Municipal Utilities provides electric and water service to a diversified base of residential, commercial, and industrial customers, primarily within the boundaries of the City. State statutes vest authority in the Board of Trustees to establish rates and provide, among other things, that books of account be kept for each utility system and for the equitable allocation of joint expenses.

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and by the Financial Accounting Standards Board (FASB). As allowed by GASB, Greenfield Municipal Utilities follows the statements and interpretations of FASB issued after November 30, 1989, unless such pronouncements conflict with or contradict related GASB pronouncements. GMU has elected to continue to apply FASB pronouncements issued after November 30, 1989.

The significant accounting policies of GMU are described below.

B. *Reporting Entity* -

Generally accepted accounting principles (GAAP) require GMU to consider if it has oversight responsibility or control over any other legal entity. Control or dependence is determined based on budget adoption, taxing authority, funding, or appointment of the respective governing board. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Accordingly, Greenfield Municipal Utilities has been identified as a component unit of the City of Greenfield, but is legally separate from the City, and has no component units itself. As such, these financial statements include only the accounts of the Water System. The financial activities of the Electric System are presented and reported on separately.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Measurement Focus and Basis of Accounting -*

Measurement focus refers to what is measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The applicable generally accepted accounting principles are those similar to businesses in the private sector.

The Water System is a governmental proprietary enterprise fund and uses the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net assets, financial position, and cash flows. Under the accrual basis of accounting, revenues are recognized when earned, except that unbilled revenues for customer usage since the last meter reading to the end of the fiscal year (approximately five days) are not accrued. Expenses are recognized when the obligation is incurred.

D. *Use of Estimates -*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. *Cash and Equivalents -*

GMU has defined cash and equivalents as unrestricted cash on hand, checking and savings accounts, and certificates of deposit with original maturities of three months or less.

F. *Inventories - Materials and Supplies -*

Inventories of materials and supplies are stated at the lower of cost or market using the first-in, first-out method.

G. *Capital Assets -*

Capital assets (property, plant and equipment, including infrastructures) are valued at historical cost. The cost of system renewals and betterments includes engineering, project construction period interest and other related costs. Preliminary and construction costs, if any, of projects not yet in service are shown in the financial statements as construction in progress. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

Depreciation is provided over the assets estimated useful lives using the straight line method with one-half year convention. No depreciation is taken on construction in progress. The range of estimated useful lives by capital asset sub-category is as follows:

Treatment Plant and Structures	15-50 Years
Transmission System Improvements	33-50 Years
Distribution System Improvements	20-40 Years
Vehicles	5 Years
Tools and Shop Equipment	5-10 Years
Furniture and Office Equipment	5-10 Years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Net Assets Classifications* -

Net assets are shown in three components as follows:

- a. Invested in capital assets, net of related debt: Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of capital assets.
- b. Restricted net assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets: All other net assets, including designated, that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Designated net assets, although earmarked by the Trustees, may be changed at any time by board action.

Included in the unrestricted net assets is an amount of \$38,494 designated for the City's Park Board. When GMU transferred Between-Two-Lakes land to the City, the trustees specified that CRP income be retained for the benefit of park improvements.

I. *Taxes* -

GMU is not liable for federal and state income taxes or taxes on its property, and makes no payments in-lieu-of taxes or other contributions to the City from the Water System.

NOTE 2 - CASH AND POOLED INVESTMENTS

GMU pool their deposits and investments and maintain records as to the Water and Electric Systems' share of the total balance. All deposits at June 30, 2010, were entirely covered by federal depository insurance, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

GMU is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit or savings accounts at federally insured depository institutions approved by the Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of drainage districts.

All investments at June 30, 2010, were held as certificates of deposits and cost is the same as carrying value.

NOTE 3 - PROPERTY AND EQUIPMENT

Capital asset activity for the years ended June 30, 2010 and 2009, is as follows:

2010	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets being Depreciated -				
Production and Treatment Plant	\$ 1,594,502	\$ 17,870	\$ 78,862	\$ 1,533,510
Transmission System	441,210	-	-	441,210
Distribution System	2,865,175	-	-	2,865,175
Vehicles, Tools and Equipment	204,355	6,142	21,108	189,389
Total Cost	<u>\$ 5,105,242</u>	<u>\$ 24,012</u>	<u>\$ 99,970</u>	<u>\$ 5,029,284</u>
Accumulated Depreciation for -				
Production and Treatment Plant	\$ 1,117,298	\$ 37,754	\$ 67,050	\$ 1,088,002
Transmission System	235,261	8,282	-	243,543
Distribution System	1,361,929	63,800	-	1,425,729
Vehicles, Tools and Equipment	160,914	16,820	21,109	156,625
Total Accumulated Depreciation	<u>\$ 2,875,402</u>	<u>\$ 126,656</u>	<u>\$ 88,159</u>	<u>\$ 2,913,899</u>
2009 (As Restated)	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets being Depreciated -				
Production and Treatment Plant	\$ 1,619,783	\$ -	\$ 25,281	\$ 1,594,502
Transmission System	597,075	-	155,865	441,210
Distribution System	2,865,175	-	-	2,865,175
Vehicles, Tools and Equipment	192,691	11,664	-	204,355
Total Cost	<u>\$ 5,274,724</u>	<u>\$ 11,664</u>	<u>\$ 181,146</u>	<u>\$ 5,105,242</u>
Accumulated Depreciation for -				
Production and Treatment Plant	\$ 1,088,708	\$ 47,996	\$ 19,406	\$ 1,117,298
Transmission System	382,842	8,282	155,863	235,261
Distribution System	1,297,387	64,542	-	1,361,929
Vehicles, Tools and Equipment	144,063	16,851	-	160,914
Total Accumulated Depreciation	<u>\$ 2,913,000</u>	<u>\$ 137,671</u>	<u>\$ 175,269</u>	<u>\$ 2,875,402</u>

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

Depreciation expense by asset group charged to operations is as follows:

	2010	2009 (As Restated)
Production Plant	\$ 37,754	\$ 47,996
Transmission System	8,282	8,282
Distribution System	63,800	64,542
Vehicles, Tools and Equipment	16,820	16,851
Totals	<u>\$ 126,656</u>	<u>\$ 137,671</u>

NOTE 4 - COMPENSATED ABSENCES

GMU employees accumulate a limited amount of vested, but unused, vacation and sick leave hours for subsequent use or payment upon termination, retirement or death. Accrued compensated absences included in the financial statements for 2010 and 2009 represent the amount due for the hours accumulated at the employees' June 30 rate of compensation.

NOTE 5 - NOTE PAYABLE

During 2004, the City of Greenfield issued a general obligation promissory note dated June 10, 2004, for \$200,000. The proceeds of this note were deposited to the Water System and the Water System is to repay this debt. The note is noninterest bearing, with monthly payments of \$1,666 beginning July 14, 2004.

During 2007, the Water System agreed to repay debt of \$369,409 (plus interest) to the City of Greenfield for improvements that benefitted the Water Distribution system made in conjunction with the Public Square Improvement project. The loan bears interest at a rate of 2.94%. Loan principal and interest is payable annually beginning June 1, 2010 through June 1, 2019.

Changes in long-term debt for the years ended June 30, 2010 and 2009, are as follows:

Balance July 1, 2008 (Restated)	\$ 489,409
Issued	-
Retired	<u>20,000</u>
Balance June 30, 2009	469,409
Issued	-
Retired	<u>34,316</u>
Balance June 30, 2010	<u>\$ 435,093</u>

NOTE 5 - NOTE PAYABLE (Continued)

Future debt service requirements are as follows:

Year Ending June 30,	General Obligation 2004		Loan from City of Greenfield	
	Principal	Interest	Principal	Interest
2011	\$ 20,000	\$ -	\$ 36,870	\$ 10,441
2012	20,000	-	37,487	9,357
2013	20,000	-	38,800	8,255
2014	20,000	-	40,081	7,114
2015	-	-	41,327	5,936
2016	-	-	43,255	4,720
2017	-	-	44,376	3,448
2018	-	-	46,191	2,144
2019	-	-	26,706	785
Totals	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 355,093</u>	<u>\$ 52,200</u>

Year Ending June 30,	Total Required		
	Principal	Interest	Total
2011	\$ 56,870	\$ 10,441	\$ 67,311
2012	57,487	9,357	66,844
2013	58,800	8,255	67,055
2014	60,081	7,114	67,195
2015	41,327	5,936	47,263
2016	43,255	4,720	47,975
2017	44,376	3,448	47,824
2018	46,191	2,144	48,335
2019	26,706	785	27,491
Totals	<u>\$ 435,093</u>	<u>\$ 52,200</u>	<u>\$ 487,293</u>

NOTE 6 - PENSION AND RETIREMENT BENEFITS

GMU contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the employer is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The water system's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, was \$12,460, \$11,239, and \$9,797, respectively, which met the required contributions for each year.

NOTE 7 - DEFERRED COMPENSATION PLAN

GMU offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral to future years of a portion of their current salary. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in a separate third-party trust for the exclusive benefit of participants and their beneficiaries.

NOTE 8 - CONCENTRATIONS

The Water System provides water to customers in a specified service area in and around the City of Greenfield, Iowa. It grants credit to substantially all customers, all of whom are local businesses or residents.

Sales to other nonprofit or municipal organizations for redistribution accounted for approximately 25 and 24 percent of the total operating revenue for the years ended June 30, 2010 and 2009, respectively.

NOTE 9 - RISK MANAGEMENT

The Greenfield Municipal Utilities are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks, except for loss of infrastructure, are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Management estimates that there are no significant differences between the fair value of financial instruments and the amounts shown as assets and liabilities on the balance sheets.

NOTE 11 - COMMITMENTS

The Water System has a contract to provide water to the Southern Iowa Rural Water Association over a forty-year period beginning June 1, 1982. The agreement stipulates that the water quantity sold is not to exceed 174 gallons per minute and 52,257,879 gallons per year. Metered water for 2010 and 2009 was 63,919,300 and 63,848,200 gallons, respectively. Additional gallons were sold in 2010 and 2009.

The Water System has a contract to provide water to the City of Fontanelle over a ten year period which began November 1, 2003. The agreement stipulates that the water quantity sold is not to exceed 120 gallons per minute and 20,000,000 gallons per year. Metered water for 2010 and 2009 was 14,845,800 and 16,233,000 gallons, respectively.

The Water System has a contract in progress for the construction of a dam. The remaining amount on that contract is \$112,727. SIRWA is making contributions-in-aid of construction associated with the construction of the dam.

NOTE 12 - BUDGETS AND BUDGETARY ACCOUNTING

GMU prepares a budget on the basis of cash receipts and disbursements instead of the accrual basis of accounting presented in these financial statements. In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes this Water System, following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. There were no budget amendments adopted during the current year.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions or programs, not by fund. These functions are grouped as either governmental activities or business activities.

The Water System budget is included as a part of the City and GMU combined business type activities budget. A comparison of the actual water system activity, adjusted to the budgetary basis, and the total budgeted amounts is as follows:

	Actual	Budget
Operating and Nonoperating Revenue - GAAP Basis	\$ 897,797	
Adjust For-		
Customer Charge Accruals	(3,533)	
Nonoperating Revenue Accruals	5	
Operating and Nonoperating Revenue - Budget Basis	<u>\$ 894,269</u>	<u>\$ 556,520</u>
	Actual	Budget
Operating and Nonoperating Expenses - GAAP Basis	\$ 735,296	
Adjust for -		
Operating Expense Accruals	(11,777)	
Nonoperating Expense Accruals	(870)	
Capital Outlay	391,089	
Depreciation	(126,656)	
Debt Payment	34,316	
Operating and Nonoperating Expenses - Budget Basis	<u>\$ 1,021,398</u>	<u>\$ 786,940</u>
Budget Overspend		<u>\$ 234,458</u>

NOTE 13 - PRIOR PERIOD ADJUSTMENT

During 2010, it was discovered that the Water Utility omitted from its financial statements Water System Distribution Improvements in the amount of \$369,409 and an equal amount of related debt. These improvements were included with City's improvements to the public square project and included in the debt obtained to finance the project. The Water Utility agreed to reimburse the city for that portion of the debt and interest associated with its improvements. These improvements became operational for the Utility in July 2007. Changes to the assets, liabilities, and net assets of the Water System as of July 1, 2008, are as follows:

	As Originally Reported	As Adjusted	Change
Distribution System Assets	\$ 2,495,766	\$ 2,865,175	\$ 369,409
Accumulated Depreciation - Distribution System Assets	(1,288,152)	(1,297,387)	(9,235)
Payable to the City of Greenfield	-	(369,409)	(369,409)
Accrued interest on Inter-fund debt	-	(10,861)	(10,861)
Total Net Assets	1,951,115	1,971,211	20,096

The net prior period adjustment of \$20,096 for the year ended June 30, 2008, consists of depreciation on the Water System Distribution Improvements of \$9,235 and interest expense related to the Inter-fund debt of \$10,861.

NOTE 14 - RESTATEMENT

The effects of the prior period adjustment resulted in restating 2009 amounts for depreciation and interest expense which decreased total net assets by \$ 20,415 for 2009.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 25, 2010, which is the date the financial statements were available to be issued, and management believes that no events have occurred that require adjustment of, or disclosure in, the financial statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

SUPPLEMENTARY INFORMATION

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010		2009		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Plant Operations -					
Salaries and Wages	\$ 53,940	10.4	\$ 49,320	9.8	\$ 4,620
Employer Payroll Taxes	6,772	1.3	6,912	1.4	(140)
Group Insurance	-	-	581	0.1	(581)
Professional Fees	132	-	1,660	0.3	(1,528)
Insurance	14,139	2.7	11,750	2.3	2,389
Utilities and Communications	40,590	7.7	36,734	7.3	3,856
Chemicals	51,479	9.8	41,142	8.2	10,337
Water Testing	9,307	1.8	9,101	1.8	206
Total Plant Operations	<u>\$ 176,359</u>	33.7	<u>\$ 157,200</u>	31.3	<u>\$ 19,159</u>
Plant Maintenance -					
Pump Repairs	\$ 1,105	0.2	\$ 11,496	2.3	\$ (10,391)
Supplies - Operating and Maintenance	24,049	4.6	42,948	8.5	(18,899)
Repairs Maintenance Services	7,942	1.5	5,252	1.0	2,690
Total Plant Maintenance	<u>\$ 33,096</u>	6.3	<u>\$ 59,696</u>	11.9	<u>\$ (26,600)</u>
Distribution Operations -					
Salaries and Wages	\$ 82,997	15.8	\$ 68,312	13.6	\$ 14,685
Employer Payroll Taxes	13,100	2.5	12,329	2.5	771
Group Insurance	24,308	4.6	17,129	3.4	7,179
Professional Fees	690	0.2	1,700	0.4	(1,010)
Total Distribution Operations	<u>\$ 121,095</u>	23.0	<u>\$ 99,470</u>	19.8	<u>\$ 21,625</u>
Distribution Maintenance -					
Vehicle Operating Expenses	\$ 8,444	1.6	\$ 9,275	1.8	\$ (831)
Supplies - Operating and Maintenance	41,636	7.9	37,224	7.4	4,412
Repairs Maintenance Services	9,493	1.7	4,605	0.8	4,888
Total Distribution Maintenance	<u>\$ 59,573</u>	11.3	<u>\$ 51,104</u>	10.2	<u>\$ 8,469</u>
Accounting and Collecting -					
Salaries and Wages	\$ 39,534	7.5	\$ 31,148	6.2	\$ 8,386
Employer Payroll Taxes	5,274	1.0	4,318	0.9	956
Group Insurance	15,506	3.0	14,347	2.9	1,159
Advertising and Notices	2,185	0.4	936	0.2	1,249
Supplies - Operating and Maintenance	6,161	1.2	6,233	1.2	(72)
Copier and Computer Maintenance	2,293	0.3	2,612	0.4	(319)
Total Accounting and Collecting	<u>\$ 70,953</u>	13.5	<u>\$ 59,594</u>	11.9	<u>\$ 11,359</u>

(Continued)

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010		2009		Increase
	Amount	Percent	Amount	Percent	(Decrease)
Administrative Expenses -					
Salaries and Wages	\$ 48,558	9.2	\$ 40,422	8.0	\$ 8,136
Employer Payroll Taxes	10,785	2.1	10,540	2.1	245
Group Insurance	9,240	1.8	10,365	2.1	(1,125)
Professional Fees	13,057	2.5	11,129	2.2	1,928
Insurance	10,086	1.9	11,750	2.3	(1,664)
Travel, Conferences and Dues	2,751	0.5	2,005	0.4	746
Utilities and Communications	1,931	0.4	1,850	0.4	81
Supplies - Operating and Maintenance	242	-	189	-	53
Economic Development	4,835	0.9	5,427	1.1	(592)
Use Tax Paid	8	-	43	-	(35)
Total Administrative Expenses	<u>\$ 101,493</u>	19.3	<u>\$ 93,720</u>	18.6	<u>\$ 7,773</u>
Rebates and Refunds	<u>\$ 750</u>	0.1	<u>\$ 1,000</u>	0.2	<u>\$ (250)</u>
Depreciation Expense (2009 Restated)	<u>\$ 126,656</u>	24.1	<u>\$ 137,671</u>	27.4	<u>\$ (11,015)</u>

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATISTICAL REPORTS AND OTHER INFORMATION (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	Unaudited 2010		Unaudited 2009		Increase (Decrease)
	Gallons	Percent	Gallons	Percent	
WATER PUMPED TO SYSTEM	162,259,000	100.0	158,207,000	100.0	4,052,000
UNBILLED:					
Greenfield Municipal Utilities	5,436,500	3.4	4,711,200	2.9	725,300
Free Water	-	-	141,000	0.1	(141,000)
Streets (Estimated)	84,000	0.1	110,000	0.1	(26,000)
Fire Department and Flushes (Estimated)	413,500	0.3	425,400	0.3	(11,900)
Accounted for as Break Leaks (Estimated)	3,214,000	2.0	786,000	0.5	2,428,000
Total Unbilled	9,148,000	5.6	6,173,600	3.8	2,974,400
Available for Sale	153,111,000	94.4	152,033,400	93.7	1,077,600
WATER SOLD	135,776,185	83.7	138,919,724	85.6	(3,143,539)
Line Loss	17,334,815	10.7	13,113,676	8.1	4,221,139
METER COUNT AT JUNE 30	1,060		1,058		
WATER USAGE RATES:					
Customer Charges per Meter per Month -					
Residential	14.00		12.50		
Rural Residential	18.00		16.50		
Commercial	16.00		14.50		
Rural Commercial	20.00		18.50		
Industrial	175.00		150.00		
Water Usage (per 1,000 Gallons)	3.40		3.20		
Effective	3/1/2010		4/1/2008		

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Greenfield Municipal Utilities
Water System
Greenfield, Iowa

We have audited the financial statements of the Water System, a department of the Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated October 25, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Water System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Water System's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Water System's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part 2 of the accompanying Schedule of Findings and Questioned Costs as items 10-2A, 10-2B, and 10-2C to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Water System's operations for the years ended June 30, 2010 and 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Water System. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Water Systems' response to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we expressed our conclusions on the responses, we did not audit the Water System's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the trustees, officials, employees and citizens of the City of Greenfield, and other parties to whom the Greenfield Municipal Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

October 25, 2010

By  _____
Certified Public Accountant

Recommendation - We strongly suggest that whatever steps necessary be taken to ensure that the board receives accurate financial information on a regular basis. Specifically, accrual accounts need to be verified and reconciled monthly. We further recommend that the reports be developed to come from the new software. This may require changing some work flow procedures or additional training on the new software. Once the reporting process is up to date, every effort must be made to maintain that status.

Response - With the relatively new accounting software and the Office Manager/City Clerk having limited experience in this type of environment, she may be overburdened producing management financial reports, understanding the governmental chart of accounts and performing her duties of City Clerk. The Office Manager/City Clerk has limited experience of working in a governmental environment. Management believes this situation will continue to improve as more experience is acquired with the regular use of the software and further knowledge is gained of the governmental environment.

Conclusion - Response accepted.

- 10-1C **Prior Year Findings** - In the prior year's Schedule of Findings and Questioned Costs, we had findings regarding timely bank account reconciliations, accurate posting and account coding, and timeliness of financial reports. These findings have been significantly improved during the current year.

Instances of Non-Compliance:

No matters noted.

PART 2: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

- 10-2A **Official Depositories** - A resolution naming depositories for combined funds of the City and Library and Greenfield Municipal Utilities has been approved by the City Council and the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year by Greenfield Municipal Utilities. The depositories named and maximum deposit amounts authorized are as follows:

First National Bank	\$ 4,000,000
Union State Bank	4,000,000

- 10-2B **Certified Budget** - Disbursements during the year ended June 30, 2010, exceed the amount budgeted for the water system by \$234,458. This overspend is applicable only to the water system, as a component unit of the City of Greenfield. The overspend was caused entirely by expenditures for construction of a coffer dam. The project costs were approved at public hearings prior to commencement of the project. Additionally, SIRWA reimburses the water system for all of the dam costs.
- 10-2C **Questionable Disbursements** - We noted no expenditures that we believe would constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- 10-2D **Travel Expense** - No expenditures of Water System money for travel expenses of spouses of officials or employees were noted.
- 10-2E **Business Transactions** - Business transactions between the Greenfield Municipal Utilities Water Utility System and the Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.

- 10-2F **Bond Coverage** - Surety bond coverage of officials and employees is in accordance with statutory provisions. However, we recommend the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations. See the page listing the "Officials" for individual bond coverage amounts.
- 10-2G **Minutes** - No transactions were found that we believe should have been approved in the minutes, but were not. The minutes were published within the 15 days required by Chapter 372.13(6) of the Code of Iowa. We did note, however, total receipts were not included in the published minutes.
- 10-2H **Deposits and Investments** - The Board of Trustees adopted a written investment policy statement as required by Chapter 12B.10B of the Code of Iowa and no instances of noncompliance were noted.